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DIRECTORATE OF
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*Vietnam: (Information as of 4:30 AM EDT)

Political Developments in South Vietnam: Premier Ky has informed [redacted] that, in a meeting on 6 July attended by himself, Chief of State Thieu, and several other generals of the Directorate, a secret agreement outlining his authority in the new government was put into writing.

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According to Ky, the agreement specifies that he must approve any important decisions on any aspect of government affairs, particularly those respecting major military matters and efforts to end the war. Ky also claimed he was given the right to name the prime minister and the cabinet members.

Thieu's camp is still silent on any agreement with Ky. [redacted] who attended the senior generals' 6 July meeting with Ky and Thieu made no mention of any agreement in his account of the meeting. [redacted] the only order of business was to draft a letter to the Provisional National Assembly Election Committee re-emphasizing the fact that the Armed Forces Council, for reasons of national security, had refused to allow General Duong Van ("Big") Minh to return to South Vietnam to campaign for the presidency.

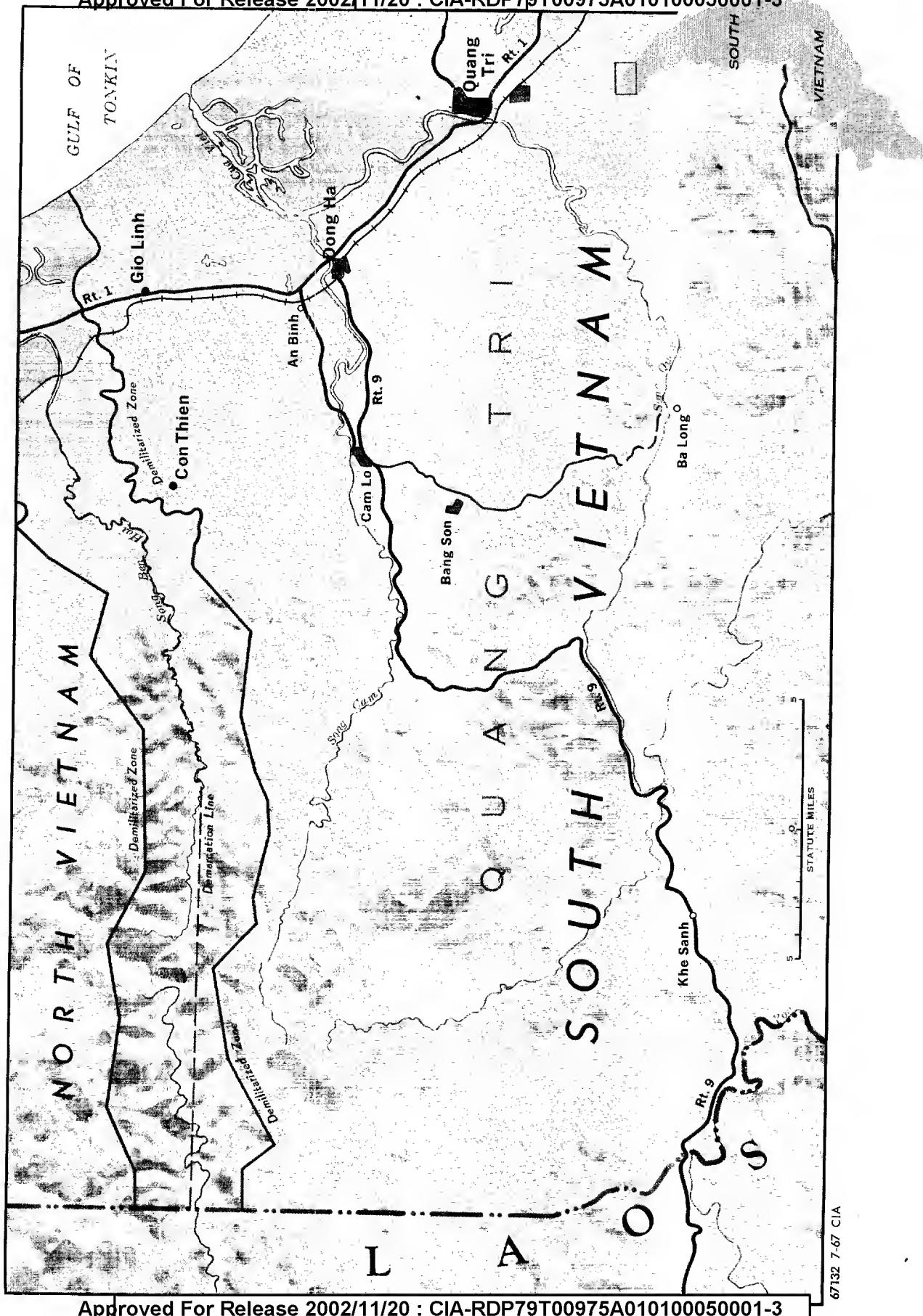
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At a convention of pro-Ky members of the Provisional National Assembly on 4 July, Ky frankly expressed his views on Thieu and on the forthcoming senatorial elections.

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[redacted] Ky stated that in the new government the division of responsibilities between himself and Thieu would be the same as at present--that he would continue to be the real power and Thieu a figurehead.

Concerning the upper house elections, Ky reportedly asserted that he has no intention of allowing them to become "a game of chance." He said he would select six



candidate lists and support them in such a way as to ensure their victory. He then asked the delegates rhetorically what the president (Thieu) could do "if we hold a majority in both houses of the National Assembly."

Military Situation in South Vietnam: North Vietnamese Army (NVA) troops continue to maneuver and prepare for future offensive activities while maintaining pressure on allied forces south of the Demilitarized Zone with artillery, mortar, and rocket attacks as well as small-unit probing actions.

The triangular area formed by US installations at Con Thien, Dong Ha, and Gio Linh appears to be the present focal point of Communist military activity in northernmost Quang Tri Province. Several sharp encounters early yesterday between US Marines and NVA soldiers were followed by another barrage on the US airfield and radar facility at Dong Ha.

(Map)

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*Egypt: Nasir may be attempting to strike a balance between leftist and antileftist elements in Egypt.

He has reversed several actions taken against suspected opponents of the left, [redacted]

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About 50 recently pensioned army officers have been reinstated on Nasir's orders. [redacted] Some of these officers were among 20 majors and colonels who [redacted] had reported to have been pensioned on 29 June because of their expressed opposition to the presence of Soviet advisers among Egyptian brigades. Others had been pensioned off after Nasir's short-lived resignation on 9 June.

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[redacted]
[redacted] this reversal as the first indication that Nasir's thinking may have become "more objective" than it has been during the past three weeks. [redacted]

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[redacted] the decision "will obviously" strengthen anti-leftist elements in the army.

Nasir reportedly has also reversed a previous decision to sequester the properties of about 50 Egyptian families who had come under political attack by leftists in mid-June. [redacted] Nasir within the past few days had ordered the release of a number of persons arrested in mid-June, on the initiative of the minister of interior, because of their connection with the prerevolutionary political parties.

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In foreign affairs, Nasir evidently is ready to try to reassume his leadership of Arab policies toward Israel. In an editorial published today in Cairo's semiofficial newspaper Al-Ahram, Mohammed Hassanein Haykal, a confidant of Nasir, stated that an Arab summit conference to plan unified Arab action was now needed following the failure of the UN to find a solution to the Middle East crisis. The UN discussions, the editorial said, had "proved beyond doubt US-Israeli collusion" in the crisis.

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Aden-Britain: London has taken the first step toward forming a transitional government for the Federation of South Arabia.

The new prime minister - designate, Husayn Ali Bayyumi, is the secretary general of a moderate Adeni political party. He is also known to have contacts with the National Liberation Front (NLF), the nationalist group which apparently is becoming predominant in Aden. The British hope that they can induce representatives of the NLF and possibly other nationalist groups, members of the dissident army faction which precipitated the mutiny of 20 June, and a few members of the present federal government to join Bayyumi's cabinet.

Britain still faces the particularly difficult problem of dealing with the Egyptian-backed Front for the Liberation of Occupied South Yemen (FLOSY), the NLF's principal rival. British officials are now in contact with FLOSY representatives, but the outcome of the discussions still is uncertain. Until now, FLOSY leaders have refused to share power with other political groups in any kind of government.

If FLOSY is not included in the transitional government, it probably will continue its terrorist operations. In any case, the situation will remain inherently unstable, and a new coalition government, if any, might not last long after the British withdrawal. [redacted]

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NOTE

Indonesia-Singapore: Indonesia's economic position should be improved by its decision on 23 June to resume normal trade with Singapore, a major market prior to the Malaysian confrontation. The new trade ties, which had been preceded by limited barter trade, should curtail smuggling and ease Indonesia's revenue and balance-of-payments problems. Trade with Malaysia, formerly a less important commercial partner than Singapore, is being regulated under the terms of an agreement signed in May.

NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 6 July 1967
approved the following national intelligence estimate:

SNIE 4-1-67, "Implications of a Mutual Reduction
of US and Soviet Forces in Europe"

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